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Was Shakespeare a male chauvinist racist?

Environmentalists embrace Adam Smith

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April 1, 1991 Four Dollars

Forbes

Microsoft's Bill Gates

Can anyone stop him?

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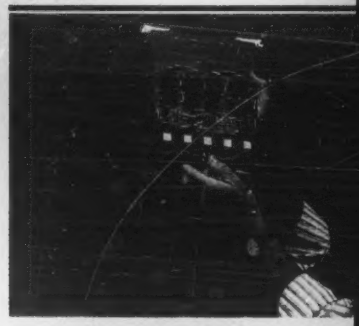

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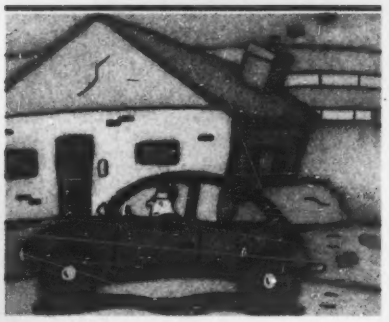

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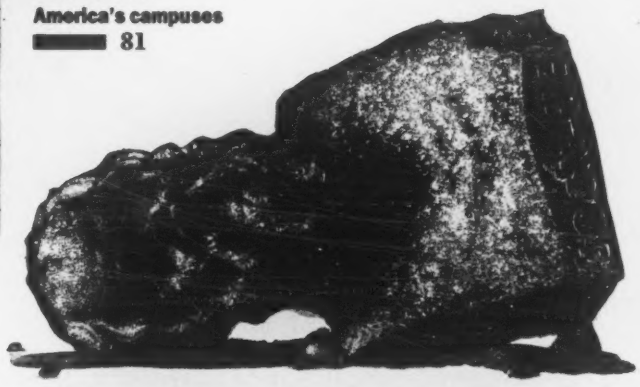

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$100,000 CONTEST CONSENSUS: THERE AIN'T NONE

MORE THAN 6,000 readers entered FORBES' second Decade Contest. In 1980 we offered $10,000 to the reader whose predictions came closest to what a number of yardsticks would be a decade thence; this time, $100,000.

Unlike the first go-around in 1980, there's nothing approaching a consensus. A decade ago most people assumed a high rate of inflation. It didn't happen, one reason why the Eighties were such a turbulent decade. Tens of billions of dollars were invested on the assumption of rapidly rising prices. What looked smart in 1980 was looking dumb by 1985.

This pool of prophecies ranges all over the lot. Some contestants see steady growth, others fear wild inflation and some a 1930s depression-style deflation. Just look at the ranges of the price of gold and of the value of the dollar.

Yet, for the most part, the averages and the medians in these and other categories were pretty tame. The median growth of the gross national product was a mere 2.1%, half what the economy did in the 1980s. The average was much more encouraging, around 3.5%. The outlook on the budget deficit was very good news; both the average and the median are fractions of what the shortfall is now.

In every era people anticipate inventions that don't develop and mostly don't anticipate those that do. Ten years ago hardly anyone foresaw the extraordinary boom of personal computers. What will be the PC of the 1990s?

Some readers don't think that high-definition television as we think of it will happen, and some don't believe we're going to get wristwatch telephones. Given history, their skepticism can't be dismissed out of hand.

The most discouraging number occurs in the lawyer category. Similar to inflation a decade ago, the locustlike litigation plague seems unstoppable, which means less economic growth, less productivity and, most discouragingly, less innovation. Could the automobile have ever blossomed in the teeth of today's trial lawyers?

But who knows, perhaps the scandalous, destructive litigation fever will be broken, as it was with inflation.

A question: What do you think these numbers would have looked like if people had filled in their entries after the Gulf war?

Below are the results of what contestants think will be the answers on Dec. 31, 1999.

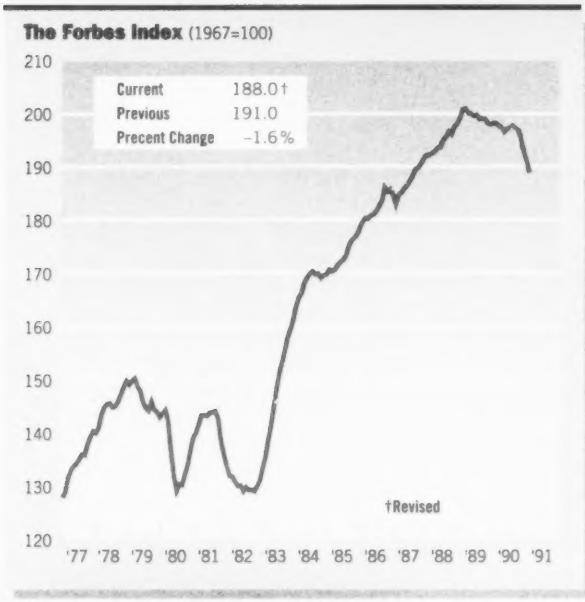
The $100,000 answers

Category	1989	1999 Average	1999 Median	1999 High†	1999 Low†
Value of $1	$1	$0.56	$0.55	$2.50	$0.04
Dow Jones industrials	2753	4788	4343	15142	940
Average daily NYSE volume	165 mil	1,070 mil	260 mil	2,211 mil	40 mil
No. of Forbes Sales 500 cos of 1989 still on Forbes list	500	351	360	500	35
Gold	$399/oz	$585/oz	$500/oz	$3,192/oz	$75/oz
Oil—price of Saudi light crude	$18.40/bbl	$34.62/bbl	$30.00/bbl	$200.00/bbl	$5.00/bbl
Oil—daily U.S. imports	7.9 mil bbl	18.3 mil bbl	9.0 mil bbl	68.0 mil bbl	1.2 mil bbl
Hamburger—Big Mac	$1.79*	$3.10	$2.89	$10.95	$0.50
Microwave ovens	70 mil*	329 mil	110 mil	700 mil	2 mil
New home, single family	$148,800	$233,516	$215,500	$900,000	$24,700
Home mortgage rate—new home	9.76%	10.22%	10.00%	20.00%	5.00%
Prime rate	10.5%	10.73%	10.50%	23.60%	4.60%
30-year Treasurys	8.45%	8.88%	8.90%	20.00%	4.00%
GNP (actual)	$5.2 tril	$10.8 tril	$9.3 tril	$85.0 tril	$3.2 tril
GNP (in 1989 dollars)	$5.2 tril	$7.3 tril	$6.4 tril	$40.0 tril	$1.5 tril
National debt	$3.0 tril	$10.8 tril	$4.5 tril	$500 tril	$0
Federal budget surplus (or deficit)	($152 bil)	($149 bil)	($62 bil)	$2,000 bil	($2,000 bil)
U.S. trade surplus (or deficit)	($109 bil)	($60 bil)	($25 bil)	$1,000 bil	($1,000 bil)
Consumer debt (excl mortgages)	$717 bil	$2,489 bil	$1,000 bil	$14,778 bil	$1 bil
Per capita income	$15,186*	$27,121	$25,000	$109,760	$5,000
Top fed personal income tax rate	28%	35%	35%	70%	15%
Employed workers	119 mil	220 mil	140 mil	382 mil	85 mil
Unemployed workers	6.5 mil	11.3 mil	7.9 mil	68.5 mil	2.1 mil
Yen per dollar	143.45	178.24	150.00	600.00	1.00
Deutsche marks per dollar	1.70	6.77	1.70	225.00	0.25
Rubles per dollar (black market)	30	877	45	19,000	0
Computers	52.4 mil	1,879.5 mil	107.1 mil	2,500.0 mil	12.6 mil
First-class stamp	$0.25	$1.01	$0.49	$50.00	$0.10
Credit cards	908 mil	103,279 mil	1,200 mil	2,000 bil	1 mil
Fax machines	2.8 mil	81.2 mil	16.0 mil	3,300 mil	40 thou
Homes with high-definition TV	—	37 mil	9 mil	1,000 mil	0
Cellular telephones	3.5 mil	39.0 mil	17.0 mil	600.0 mil	1.0 mil
Wristwatch telephones	—	8.7 mil	1.0 mil	323.0 mil	0
Registered motor vehicles	189 mil*	394 mil	220 mil	602 mil	23 mil
Lawyers	725,574	8,246,689	925,000	1 bil	100,000
Stockbrokers	438,701	1,781,153	450,000	8,043,010	50,000
Pro baseball teams	26	31	30	52	18
U.S. population	249 mil*	299 mil	280 mil	700 mil	200 mil
World population	5.2 bil*	15.0 bil	6.3 bil	73.5 bil	3.0 bil
Party in the White House	Republican	Republican	Republican	—	—
Party in the Kremlin	Communist	Communist	Communist	—	—
Number of countries to emerge from present U.S.S.R.	—	6	5	26	0

Figures for the U.S. except where noted. *Estimate. †Preliminary programming has selected high and low figures to remove distortions, such as leaving a category blank.

THE FORBES INDEX

BY TIMOTHY DODMAN



The unemployment rate rose in February to 6.5% of the civilian labor force, the highest level in nearly four years. In the first two months of this year, 417,000 workers were cut from nonfarm payrolls. A weak labor market combined with a 0.5% drop in personal income in January undoubtedly contributed to a 0.3% decline in consumer installment credit in January. This is the first consecutive monthly drop in this indicator in four years. After being boosted by military expenditures in December, orders for durable goods fell 1.8% in January.

Other key rates	Source	Status
Prime rate	Chase Manhattan Bank	9.0%
Auto sales year to date vs 1990[1]	Ward's Automotive	-20.0%
Index of leading indicators Jan vs Dec	Dept of Commerce	-0.4%
Trade balance 12 months ended Dec1990	Dept of Commerce	-$100 bil
All-commodity producer price index Jan vs Dec[2]	Dept of Labor	0.0%
GNP 4th quarter vs. 3rd—annualized growth	Dept of Commerce	-2.0%
NBER Experimental Recession Probability Index[3]	Natl Bureau of Economic Research	5.0%

[1] U.S.-based manufacturers, excludes imports, as of 2/28/91.
[2] Wholesale goods. [3] January 1991.

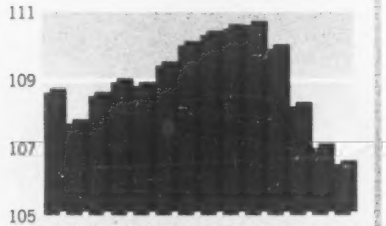
Index components

The Forbes Index is a measure of U.S. economic activity composed of 8 equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, new housing starts, total retail sales, the level of new orders for durable goods compared with manufacturers' inventories, personal income, total consumer installment credit.

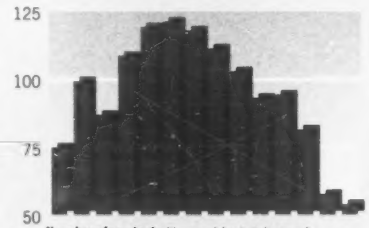
To measure these 8 elements, FORBES monitors 10 series of U.S. government data. The last 14 months' data for each series are presented below.

Consumer price indexes (1982-84 average=100) all urban consumers, unadjusted (Dept of Labor)

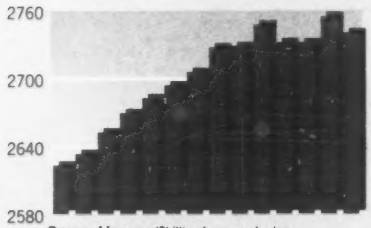
Manufacturers' new orders and inventories ($billions), seasonally adjusted (Dept of Commerce)



Industrial production index (1987=100) seasonally adjusted (Federal Reserve)

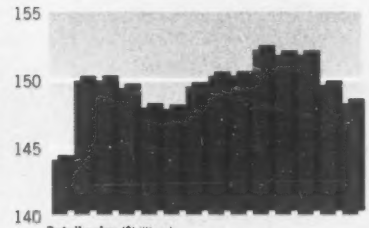


New housing starts (thousands) privately owned, unadjusted (Dept of Commerce)

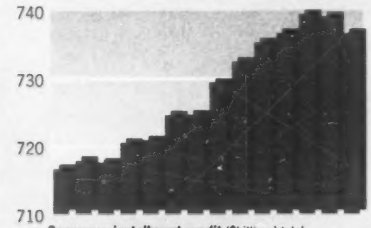


Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept of Commerce)

New unemployment claims average for month (thousands), seasonally adjusted (Dept of Labor)



Retail sales ($billions), seasonally adjusted (Dept of Commerce)



Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

D J F M A M J J A S O N D J D J F M A M J J A S O N D J D J F M A M J J A S O N D J

Veteran analyst Walter Loeb thinks the hot retailing theme in the 1990s will be the home. That's why he likes Home Depot, Pier 1 and Williams-Sonoma.

Look homeward

By Suzanne L. Oliver

Kelly Campbell

Retail analyst Walter Loeb
He likes growth and he's willing to pay for it. So he'll take Home Depot, even at 38 times earnings.

MANY OF THE most spectacular capital gains in the last 16-plus years have been booked on retail stocks. A $1,000 investment made in late 1974 in Wal-Mart, the Limited, or Dillard Department Stores would be worth at least $114,000 today.

Walter Loeb, a retailer turned retail analyst two decades ago, has been recommending Wal-Mart since 1974, Toys "R" Us since 1979 (a year after it emerged from bankruptcy), and Limited and Dillard since 1981. Fortunes have been made following his advice. No surprise, then, that when Loeb, 66, retired last year from Morgan Stanley, he had quite a following. He continues his trade today as publisher of the *Loeb Retail Letter*, which goes out to 250 subscribers and costs $300 per year.

Can investors still make money on retail stocks? Loeb keeps in his shirt pocket a list of 18 recently bankrupted retailers, to remind him of the dangers. But he's generally bullish on the industry. He still likes the old favorites—Limited, Dillard, Wal-Mart and Toys "R" Us, along with the Gap and Dayton Hudson. All, he explains, have increased their profitability through heavy investment in computers and inventory control systems. "Retail has become a technologically driven industry," Loeb says. Within 60 days, for example, Limited is able to design a garment in the U.S., manufacture it in Hong Kong and have it delivered to its stores.

Loeb sees another theme to carry retail stocks upward in the 1990s: the home. "I think the consumer wants to make his life more comfortable," says Loeb from his Broadway office six

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blocks north of Macy's in New York City, where he started out in the advertising department in 1951. Two-worker families move less and end up putting more money into home furnishings and home improvement. A cohort of aging empty-nesters will do the same. Hence, Home Depot, an operator of huge home improvement stores, is a Loeb favorite, notwithstanding that it is already, at a recent 50⅞, trading at 38 times earnings and 100 times its initial offering price of a decade ago.

Another company the veteran analyst likes is Pier 1 Imports, which retails rattan furniture, dishes and kitchen gadgets. Once part of Tandy Corp., Pier 1 has had disappointing earnings lately but should recover with the economy, in the second half of this year, says Loeb.

J.C. Penney, too, has discovered home fashions, elevating products such as towels from a commodity to a style item. Loeb expects Penney's home furnishings revenues to grow 77%, to $5.3 billion, by 1996.

Loeb says the mail-order business has suffered because of redundant product offerings. But he thinks a few companies—again in home furnishings—merit attention, among them Williams-Sonoma (FORBES, *Feb. 18*) and Lechters, retailers of housewares. The former has both stores and five successful catalogs. Loeb thinks the flagship Williams-Sonoma catalog is curing itself of its former repetitiveness in products. At Lechters, a New Jersey-based company that went public in 1989, earnings have risen 575% since 1985. Its stores generate $195 per square foot in annual sales.

On the horizon, Loeb is watching two retailers that are currently private but may well go public in the fairly near future. Crate & Barrel, a Chicago-based chain of 32 stores (and a catalog) that sells china, glassware and fancy culinary equipment, was started in 1962 and already has estimated sales of $150 million. Founder Gordon Segal considered taking the company public in 1981; Loeb hopes for an initial offering within the next two years. The other, Boston-based Domain, sells medium- to high-priced furniture. Domain got venture capital from Bain & Co., Chemical Bank and Harvard University. Loeb reckons these financiers may be eager to cash out and let the public in. ■

Staying home

Company	Revenues ($bil)	Revenues per square foot	Recent price	Price/ earnings
Home Depot	$3.8	$288	50⅞	38
Lechters	0.2	195	21¼	16
JC Penney	17.4	128*	55⅛	13
Pier 1 Imports	0.6	145	5¾	14
Williams-Sonoma	0.3	366*	25¼	27

*Excludes catalog sales.
Sources: Companies, Montgomery Securities.

As people remodel and redecorate their homes, these companies should benefit.

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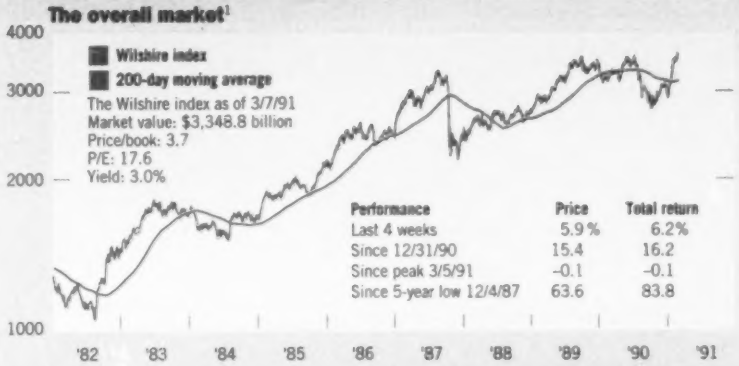
You can see it in sales of mutual funds and you can see it in small orders for stocks: The individual investor is returning to the stock market. Says William LeFevre, a market strategist at Tucker Anthony/Sutro in New York, "I see a lot of individuals buying, and the institutions are almost forced to buy, too, since they don't want to miss this rally."

Is the rally a trap? Ever willing to accommodate buying frenzies by projecting earnings gains, the analysts are full of optimism these days. The Institutional Brokers Estimate System declares that a recovery is expected in the second half of this year. The 3,000 security analysts monitored by IBES expect 1991 profits for the S&P 500 to be 9.9% higher than 1990 earnings. For 1992, analysts are projecting a further 19% gain. All this despite the still unfolding recession.

The analysts' euphoria carries over to foreign markets. Companies in Denmark and the Netherlands are expected to post the best earnings gains this year, with increases of 22% and 20%, respectively. Double-digit increases are expected for Irish and Canadian companies.

The 30 stocks in the Dow industrials have hit strong resistance at the 3000 level. But the Wilshire index of 6,000 issues and a number of other market indicators have broken through to new highs.

The overall market[1]



The best performing stocks

Company	Price	2-week change	P/E	Avg vol (thou)[2]	Rel vol[3]
Unisys	5½	38%	NM	12,863	1.6
Amgen	129⅛	35	NM	17,541	2.1
Intergraph	25	35	20	9,563	3.6
Immunex	53	31	NM	7,470	2.9
Circuit City Stores	18⅝	28	12	4,799	1.9

The worst performing stocks

Company	Price	2-week change	P/E	Avg vol (thou)[2]	Rel vol[3]
GW Utilities	14½	-42%	8	66	5.4
Genetics Institute	40	-29	NM	5,306	1.9
USF&G	9¼	-16	NM	6,836	1.2
Alberto-Culver	29¾	-11	22	266	1.2
Ohio Casualty	40¾	-10	9	409	0.6

Closeup on the market

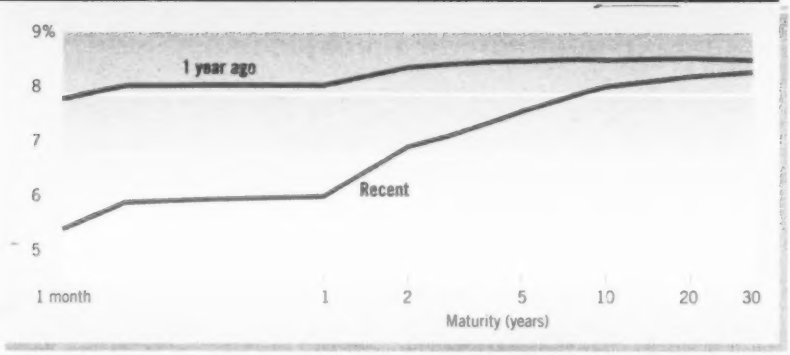
Index or investment	Price or rate	2-week change
Wilshire index 6,000 stocks, capitalization weighted	3,579.2	3.4%
Wilshire index 6,000 stocks, equal weighted	22.3	8.8
Dow Jones industrials 30 stocks, divisor-adjusted price average	2,963.4	2.5
S&P 500 Capitalization weighted cross section, major stocks	375.9	3.0
NYSE Capitalization weighted, all listed common stocks	205.4	3.1
Amex Capitalization weighted total return: stocks, warrants	355.3	4.0
Nasdaq Capitalization weighted, all issues except warrants	475.7	6.6
Amex international market index Capitalization weighted, 50 largest ADRs	355.3	9.1

Index or investment	Price or rate	2-week change
Europe, Australia, New Zealand and Far East[4] (EAFE) a dollar denominated capitalization weighted index	890.90	-0.1%
Institutional[5] Approximately 200 stocks with high institutional ownership	112.14	5.1
Individual[5] Approximately 200 stocks with low institutional ownership	93.60	6.1
Russell 200 index 2000 small market value stocks, capitalization weighted	167.66	7.2
Gold[6] (composite quote of 6 major dealers)	$367.30	1.3
Yen[4] (per $U.S.)	135.60	3.2
Commodity index[6] (CRB futures index, 1967=100)	220.91	4.6
Oil[6] (W Texas Intermediate)	$19.40	5.1
T bills[6] (90 days)	6.07%	14.0 basis points[7]
Broker loan rate[6]	9.00%	unchanged

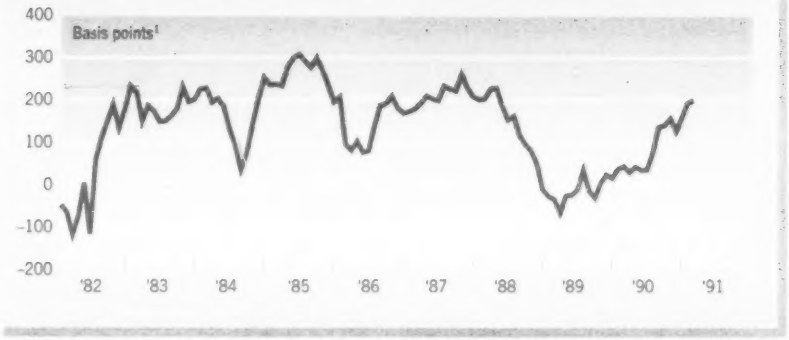
Note: All data for periods ending 3/7/91. Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since the index was created. Stocks listed above have market capitalization of $500 million or more. [1]Capitalization weighted, prepared by Wilshire Associates, Santa Monica, Calif. [2]Average daily volume over recent 2-week period. [3]Average daily volume over the last 2 weeks, divided by the average daily volume during the preceding 3 months. [4]Morgan Stanley Capital International Perspective. [5]For period ending 3/8/91. A. Arbel, Cornell University, using Ford Database from Ford Investor Services. [6]Knight-Ridder Financial Information. [7]A basis point is equal to one-hundredth of a percentage point. NM: Not meaningful.

BY ERIC S. HARDY

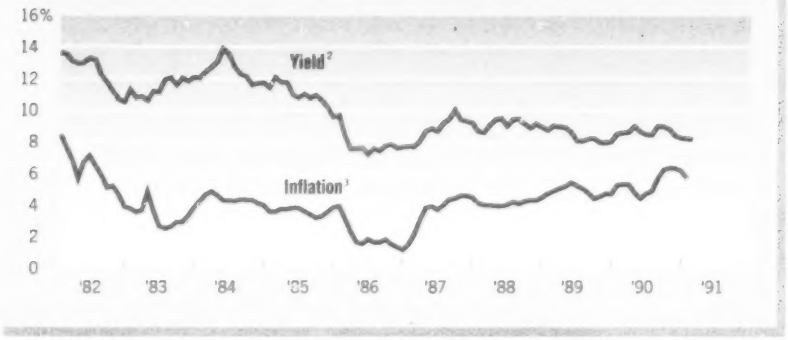
Yield curve



30-year rate minus 1-year rate



Yield vs. inflation



Spread over Treasurys

Security	Basis points[1]
AA corporates	84
AAA industrials	67
Ginnie Maes	82
Junk corporates[4]	909
Municipals[5]	-103

Total returns

Security	1 year[6]	3 years[6,7]
AAA corporates	11.1%	9.3%
Ginnie Maes[5]	13.5	11.0
Junk corporates[4]	13.8	15.8
Municipals[5]	9.2	8.6
Treasury bonds	11.8	9.0

Note: Except where footnoted, all information provided by Berkeley, Calif.-based Barra, a financial consulting firm. [1]A basis point is equal to one-hundredth of a percentage point. [2]Yield on ten-year Treasurys. [3]The trailing 12-month increase in the Consumer Price Index, through 1/31/91. [4]Source: First Boston. [5]Source: Shearson Lehman Brothers. [6]Data through 2/28/91. [7]Three-year total return, annualized.

Both long-term and short-term interest rates won't move much lower, according to Robert Giordano, who follows the credit markets for Goldman, Sachs. He predicts that three- and six-month Treasury bill rates, currently around 6%, will hover around 5.5% to 6% during the year.

And what of the so-called credit crunch? Don't put stock in it, says Giordano. He concedes that financing is difficult for certain projects, but more because bankers have become prudent and discriminating than because they want to contract total lending volume. Another point: Interest rates are falling, while in bona fide credit crunches, such as during 1970 and 1974, competition among borrowers for scarce loanable funds drove interest rates higher. "Banks are finally applying risk-return analysis to their loan portfolios," he says. "Lenders realize the last thing they need on their books is the mortgage on another empty office building."

The general decline in interest rates has been accompanied by a narrowing of credit spreads. Witness: The spread in yields between Treasurys and high-quality corporates is "narrower than usual at this stage of a business cycle," says Giordano. A more dramatic example of the same phenomenon: The spread between Treasurys and low-quality corporates is also narrowing, as seen in the sharp rally in junk bond prices in the past 2 months. Indeed, the total return (interest plus price changes) on junk bonds during the past 12 months is almost 3 percentage points better than the total return on high-quality corporate bonds.

What about convertible bonds? "They are better values now than they've been in over two years," says Andrew Davis of PaineWebber. He points out that since late 1990 the yield sacrifice in convertible bonds—what the holder gives up in current yield in order to get a play on the underlying stock—has declined sharply. One convertible that Davis likes is the Wainoco Oil 7¾s of 2014, currently trading at $915. It is convertible into 114.3 shares of Wainoco common, recently worth about $700.